



### LIEN SUBORDINATION AGREEMENT

This Lien Subordination Agreement (this "**Agreement**") is made as of July 18, 2013, by and between Green Bank, NA, a Texas state bank ("**Green Bank**") and National Oil Recovery Corporation, a Delaware corporation ("**Norco**"). The parties hereto shall be referenced individually as a "**Party**" and collectively as "**Parties**."

**WHEREAS**, Norco, on the one hand, and Lazarus Texas Refinery I, LLC, a Delaware limited liability company ("**LTRI**") and Lazarus Energy Holdings, LLC, a Delaware limited liability company, on the other hand, are parties to a loan evidenced by that certain Installment Real Estate Lien Note, dated February 29, 2012, in the original principal sum of Two Million Seven Hundred Eighteen Thousand And No/100 Dollars (\$2,718,000.00) (the "**Norco Note**") to which reference is hereby made for all purposes; and

**WHEREAS**, LTRI's obligations to Norco under the Norco Note are secured in part by that certain Deed of Trust and Security Agreement dated February 29, 2012, executed by LTRI to and in favor of Richard F. Bergner, Trustee, for the benefit of Norco, and recorded under File #615664 of the Official Public Records of San Patricio County, Texas (the "**Norco Deed of Trust**") which Norco Deed of Trust encumbers certain real estate described in Exhibit "**A**" attached hereto and incorporated by reference herein (the "**Real Property**") and that certain personal property more particularly described in the Norco Deed of Trust including but not limited to the storage tanks and equipment relating thereto (the "**Personal Property**") to which reference is hereby made for all purposes; and

**WHEREAS**, Green Bank is prepared to make a loan to Ingleside Crude, LLC, a Delaware limited liability company ("**Ingleside**") in the amount of \$ **3,200,000.00** evidenced by that certain SBA Loan Agreement (the "**Green Bank Loan**"); and

**WHEREAS**, Green Bank demands that, as a condition of granting Ingleside's request that Green Bank advance such funds (or any portion thereof), it be secured by a first and superior lien upon the Personal Property and that Norco will specifically, unconditionally, and irrevocably subordinate its liens and security interests in the Personal Property in favor of the Green Bank Loan; and

**WHEREAS**, Norco has agreed to consent to the granting of a security interest in the Personal Property and to specifically, unconditionally, and irrevocably subordinate all liens and security interests in the Personal Property to the liens and security interests of Green Bank; and

**WHEREAS**, it is to the mutual benefit of the Parties hereto that Green Bank make such loan to Ingleside; and Norco is willing that the liens securing the same shall,

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when recorded, constitute a lien or charge upon said Personal Property which is unconditionally prior and superior to its liens and security interests in the Personal Property.

NOW, THEREFORE, for and in consideration of the premises and Ten and No/ 100 Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to induce Green Bank to fund all, or a portion of, the Green Bank Loan, the Parties agree as follows:

1. Defined Terms.

**"Collateral"** shall mean all property, tangible, real, personal, or mixed, now or hereafter constituting collateral for payment of the Green Bank Loan, pursuant to the Loan Documents, including without limitation (1) the **"Collateral"** defined in the Green Bank Loan and (2) the **"Collateral"** defined in the Security Agreement.

**"Loan Documents"** shall mean the Green Bank Loan, the Security Agreement, the Note, the Leasehold Deed of Trust with Security Agreement and Assignment of Rents and Leases and all other documents, instruments, and agreements evidencing or securing the Green Bank Loan and all other documents and instruments entered into in connection with the Green Bank Loan,

**"Norco Liens"** shall mean the liens and security interests on the Personal Property of LTRI securing payment of the Norco Note as set forth in paragraphs B and D and Exhibit **"B"** of the Norco Deed of Trust to which reference is hereby made for all purposes.

2. Subordination. Notwithstanding any provision of the Norco Note and/ or the Norco Deed of Trust to the contrary, Norco acknowledges that the liens and security interests securing payment on the Green Bank Loan (the **"Senior Liens"**) are superior to the Norco Liens and shall be and remain inferior and irrevocably subordinate to the Senior Liens regardless of the frequency or manner of renewal or extension thereof. To the extent the Norco Liens encumber the Collateral, Norco hereby subordinates the Norco Liens including, without limitation any removable improvements to the Senior Liens.

3. Miscellaneous Provisions.

- a) Real Property Liens. Norco shall retain a first and superior lien upon the Real Property.
- b) Successors and Assigns. The terms of the Agreement shall be binding upon, and shall inure to the benefit of, the Parties hereto and their respective successors or heirs, assigns, and personal representatives.

- c) Conflicting Provisions. To the extent the provisions of this Agreement conflict with or are otherwise inconsistent with the provisions of the Norco Note or any other agreements among the Parties hereto, the provisions of this Agreement shall prevail.
- d) Further Assurances. The Parties hereto shall, from time to time, execute and deliver such additional instruments, documents, conveyances or assurances and take such other actions as shall be necessary, or otherwise reasonably be requested by each other, to (i) confirm and assure the rights and obligations provided for in this Agreement and (ii) confirm the superiority of the Senior Liens.
- e) Choice of Law. THIS AGREEMENT HAS BEEN MADE AND SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS WITHOUT REGARD TO ITS CONFLICT OF LAW PRINCIPLES.
- f) Counterparts. This Agreement may be executed in two or more counterparts, and it shall not be necessary that the signatures of all Parties hereto be contained on any one counterpart hereof. Each counterpart shall be deemed an original, but all such counterparts taken together shall constitute one and the same instrument.

*[Signature Page Follows]*

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IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the date first written above.

Green Bank, NA

By: *William Ridgway*  
Printed *WILLIAM RIDGWAY*  
Name  
Title *SR U.L.*

National Oil Recovery Corporation

By: *R. F. Berghman*  
Printed *RICHARD F. BERGHMAN*  
Name  
Title *Authorized Signatory*

### ACKNOWLEDGEMENTS

THE STATE OF TEXAS

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COUNTY OF Harris

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The instrument was acknowledged before me on the 22nd day of July 2013, on behalf of Green Bank, NA, a Texas Bank on behalf of said company and in the capacity stated.



  
\_\_\_\_\_  
Notary Public, State of Texas

THE STATE OF TEXAS

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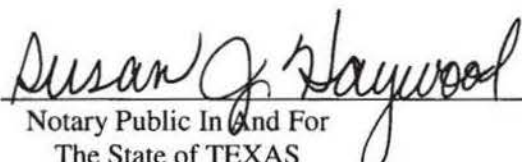
COUNTY OF HARRIS

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The instrument was acknowledged before me on the 18th day of July 2013, on behalf of National Oil Recovery Corporation, a Delaware corporation on behalf of said corporation and in the capacity stated.



  
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Notary Public In And For  
The State of TEXAS

## **EXHIBIT "A"**

(Legal Description)

### **Tract 1:**

Field note description of a portion of Lots 4 and 5, Block O, Burton and Danforth Subdivision, as shown by map recorded in Volume 152, Page 1, Deed Records, San Patricio County, Texas, described as follows:

Commencing at the southeasterly corner of said Lot 4, being at the intersection of the centerline of Farm to Market Road 2725 with the centerline of a 40.00 foot public roadway between Blocks N and O of said subdivision;

Thence, along the centerline of said 40.00 foot roadway and the southerly boundary of said Lot 4, North 55 degrees 23'00" West, at 50.00 feet pass the westerly right-of-way of said Farm-to-Market Road, in all 156.12 feet to the point of beginning of this tract;

Thence, continuing along said centerline and boundary, North 55 degrees 23' 00" West 503.88 feet to the southwesterly corner of said Lot 5;

Thence, along the westerly boundary of said Lot 5, North 34 degrees 37' 00" East, at 20.00 feet past a 5/8" iron rod found on the Northerly right-of-way of said 40.00 foot roadway; in all 685.00 feet to a brass monument in concrete found;

Thence, South 55 degrees 23' 00" East, 610.00 feet to a 5/8" iron rod set on the Westerly right-of-way of said Farm-to-Market Road;

Thence, along said westerly right-of-way, South 34 degrees 37' 00" West, 501.25 feet to a 5/8" iron rod found;

Thence, North 55 degrees 23' 00" West 106.12 feet to a 5/8" iron rod found;

Thence South 34 degrees 37' 00" West, at 163.75 feet past a 5/8" iron rod found on the Northerly right-of-way of said 40.00 foot roadway, in all 183.75 feet to the point of beginning.

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(Legal Description)

Containing 9.145 acres, more or less, of which 0.231 acre is in road right-of-way.

### Tract 2:

Field note description in all of Lots 1 and 2, and portion of Lot 3, Block N, and a portion of Lots 1 and 2, Block M, and all of Lot 4, Block II, and a portion of Lot 4, Block JJ, Burton and Danforth Subdivision, as shown by map recorded in Volume 152, Page 1, Deed Records, San Patricio County, Texas, described as follows:

Commencing at the Northwestern corner of said Lot 3, Block N, being at the intersection of the centerline of Farm to Market Road 2725 with the centerline of a 40.00 foot roadway between Blocks N and O of said subdivision;

Thence, along the centerline of said 40.00 foot roadway and the Northerly boundary of said Lot 3, South 55 degrees 23' 00" East, 50.00 feet to the Easterly right of way of said Farm to Market Road for the point of beginning of this tract;

Thence, along said Easterly right-of-way, South 34 degrees 37' 00" West, at 20.00 feet past a 5/8" iron rod set on the Southerly right-of-way of said 40.00 foot roadway, at 1300.00 feet past a 5/8" iron rod set on the Northerly right of way of 40.00 foot roadway between Blocks M and N of said subdivision, in all 1320.00 feet to a 5/8" iron rod set on the southerly boundary of said Lot 3, Block N, being on the centerline of said 40.00 foot roadway;

Thence, along said centerline and southerly boundary, South 55 degrees 23' 00" East, 280.00 feet to a 5/8 inch iron rod set at the Southeasterly corner of said Lot 3, Block N, being the Northwestern corner of Lot 2, Block M;

Thence along the Westerly boundary of said Lot 2, South 34 degrees 37' 00" West, at 20.00 feet past the Southerly right of way of said 40.00 foot roadway, in all 660.00 feet to a 5/8" iron rod set;

Thence, South 55 degrees 23' 00" East, at 630.00 feet past the Westerly right of way of a 60.00 foot roadway between Block M and JJ, at 660.00 feet past the centerline of said roadway and boundary between said Blocks M and JJ, in all 690.00 feet to a 5/8" iron found on the Easterly right of way of said 60.00 roadway;

Thence, along said Easterly right-of-way, North 34 degrees 37' 00" East, 420.89 feet to a 5/8" iron rod found;

Thence South 57 degrees 11' 36" East 219.92 feet to a 5/8" iron rod found;

Thence, North 36 degrees 16' 05" East, 252.27 feet to a 5/8" iron rod found on the Northerly right of a 40.00 foot roadway between Block JJ and II;

Thence, along said Northerly right-of-way, South 55 degrees 23' 00" East, 72.92 feet to a 5/8" iron rod set on the boundary between Lots 3 and 4, Block II;

Thence, along said boundary, North 34 degrees 37' 00" East, at 1280.00 feet pass a 5/8 inch iron rod set on the Southerly right-of-way of a 40.00 foot roadway



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(Legal Description)

between Block II and HH, in all 1300.00 feet to the centerline of said roadway, being the Northeasterly corner of said Lot 3, Block II;

Thence, along said centerline and the boundary between Blocks II and HH, and the boundary between Block N and O, North 55 degrees 23' 00" West, 1270.00 feet to the point of beginning.

Containing 50.113 acres, more or less, of which 4.070 acres is in road right of way.

### **Tract 3:**

Lots 1, 2, and 3, Block II, Burton and Danforth Subdivision, as shown by map recorded in Volume 152, Page 1, Deed Records of San Patricio County, Texas.

### **Tract 4:**

Fieldnotes for a 14.24 acre tract of land being all of Lot 1, Bay Block B, the West 509.29 feet of Lot 2, Bay Block 8, the South 130 feet of Lot 4, Bay Block 7, a portion of Ocean Drive and a tract of land between the East boundary of Ocean Drive and Redfish Bay, all as shown on the Burton and Danforth Subdivision map as recorded in Volume 1, Page 3, Plat Records of Aransas County, Texas and a certified copy of such map is recorded in Volume 152, Page 1 of the San Patricio County, Texas Deed Records;

BEGINNING at a ½ inch iron rod found (marked R.P.L.S. 1523) at the West corner of said Lot 2 on the Southeast right-of-way line of Bay Avenue (60 foot wide right-of-way with variable width caliche surface) for the West corner of this survey;

THENCE North 34 degrees 37' 00" East, along said Southeast right-of-way line, at 330.00 feet pass a ½ inch iron rod found (marked R.P.L.S. 1523) at the North corner of said Lot 2 and the West corner of said Lot 1, in all a distance of 640.00 feet to a ½ inch iron rod found (marked R.P.L.S. 1523) on the Southwest right-of-way line of Sun ray Road (40 foot wide right-of-way with 22 foot wide asphalt surface) for the North corner of said Lot 1 and a corner of this survey;

THENCE South 55 degrees 30' 35" East along said Southwest right-of-way line at 901.00 feet a ½ inch iron rod found (marked R.P.L.S. 1523) bears South 34 degrees 29' 25" West 2.0 feet, in all a distance of 913.24 feet to the West right-of-way line of Ocean Drive for the East corner of said Lot 1 and inside corner of this survey;

THENCE North 16 degrees 32' 55" East, along the West right-of-way line of Ocean Drive (80 foot wide right-of-way unimproved) 42.04 feet across Sun Ray Road to a 5/8" iron rod found at the South corner of Lot 4, Block 7 for an inside corner of this survey;

THENCE North 55 degrees 30' 35" West along the Northeast right-of-way line of Sun Ray road, at 13.46 feet a ½ inch iron rod found (marked R.P.L.S. 1523)



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bears South 34 degrees 29' 25" West 2.0 feet in all a distance of 900.19 feet to a ½ inch iron rod found (marked R.P.L.S. 1523) at the West corner of said Lot 4 on the Southeast right-of-way line of Bay Avenue, for a corner of this survey;  
THENCE North 34 degrees 37' 00" East along said Southeast right-of-way line 130.00 feet to a ¾ inch iron rod with flattened top found for the North corner of this survey;

THENCE South 55 degrees 30' 35" East, parallel to the Northeast right-of-way line of Sun Ray Road and 130 feet distant therefrom measured at right angles thereto, at 840.41 feet a ½ iron rod found (marked R.P.L.S. 1523) bears South 34 degrees 29' 25" West, 1.85 feet at 857.83 feet cross the West right-of-way line of Ocean Drive at 861.02 feet pass a 5/8 inch iron rod in concrete found, at 941.92 feet cross the East right-of-way line of Ocean Drive in all a distance of 1,038.69 feet to the shoreline of Red Fish Bay;

Thence along the shoreline of Red Fish Bay, South 20 degrees 50' 26" West a 1.81 feet to a ½" iron rod found (marked R.P.L.S. 1523) bears North 69 degrees 09' 34" West 2.24 feet, in all a distance of 89.75 feet to an angle point in said shoreline;

Thence continuing along said shoreline South 00 degrees 40' 20" West 80.69 feet and thence South 13 degrees 50' 36" East 48.81 feet to the beginning of a concrete bulkhead;

Thence along the outside face of said concrete bulkhead as follows:

South 73 degrees 37' 00" East 15.96 feet;  
South 20 degrees 16' 30" West 29.72 feet;  
North 71 degrees 29' 02" West 48.32 feet;  
South 18 degrees 17' 15" West 78.59 feet  
South 71 degrees 03' 51" East 53.00 feet and South 18 degrees 42' 11" West 193.54 feet to the end of said concrete bulkhead;

Thence continuing with the shoreline of Red Fish Bay as follows:

South 40 degrees 43' 53" West 74.95 feet;  
South 50 degrees 50' 46" West 42.44 feet;  
South 11 degrees 18' 15" West 141.77 feet and South 24 degrees 58' 51" West 93.85 feet to a point on the Southeasterly extension of the common boundary of Lots 2 and 3, Bay Block 8 for the corner of this survey;

Thence with a wire fence along said Southeasterly extension, North 55 degrees 30' 35" West at 82.04 feet a ½" iron rod found (marked R.P.L.S. 1523) bears South 34 degrees 29' 25" West 2.69 in all a distance of 132.15 feet to the centerline of Ocean Drive for a corner of this survey, from which corner a 2" iron pipe found on the West right of way line of Ocean Drive bears North 55 degrees 30' 35" West 42.04 feet and thence South 16 degrees 32' 55" West 1.47 feet;

Thence with the centerline of Ocean Drive North 16 degrees 32' 55" East 346.87 feet to a point on the Southeasterly extension of the common boundary of Lots 1 and 2, Bay Block 8, for an inside corner of this survey;

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Thence along last mentioned Southeasterly extension North 55 degrees 30' 35" West 42.04 feet to the South corner of said Lot 1 and the East corner of said Lot 2, on the West right-of-way lien of Ocean Drive;

Thence North 55 degrees 30' 35" West along the common boundary of said Lots 1 and 2 at 2.64 feet, a 1/2" iron rod found (marked R.P.L.S. 1523) bears South 34 degrees 29' 25" West 2.77 feet in all a distance of 505.01 feet for an inside corner of this survey;

Thence South 34 degrees 37' 00" West at 1.12 feet pass a 1/2" iron rod found (marked R.P.L.S. 1523) in all a distance of 330.0 feet to a wire fence on the common boundary of said Lots 2 and 3, Bay Block 8 for a corner of this survey, from which corner a 1/2" iron rod (marked R.P.L.S. 1523) bears South 34 degrees 37' 00" West 1.12 feet;

Thence North 55 degrees 30' 35" West with said wire fence on the common boundary of said Lots 2 and 3, 509.29 feet to the point of beginning, save and except 2.5 acres conveyed from National Oil Recovery Corporation to Pi Energy Corporation, by Special Warranty Deed, dated August 17, 1998, to which Special Warranty Deed reference is hereby made for a description of said 2.5 acres of land, more or less.

### McCRARY & CLARK, L.L.P.

Attorneys at Law

19500 SH 249, Suite 355

Houston, Texas 77070

FILED AND RECORDED  
OFFICIAL PUBLIC RECORDS

*Gracie Alaniz-Gonzales*

Gracie Alaniz-Gonzales, County Clerk  
San Patricio Texas



August 02, 2013 10:33:06 AM

FEE: \$52.00  
SUBD AGREE

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